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Date:

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Legend

Parent =

Corporation 1 =

Seller =

Target 1 =

Target Sub 1A =

Target Sub 1A Sub 1 =

Target Sub 1A Sub 1A =

Target Sub 1A Sub 1B =

Target Sub 1A Sub 2 =

Target Sub 1B =

Target Sub 1C =

Target 2 =

Target 3 =

Target 4 =

Target Sub 4A =

Target Sub 4B =

Target 5 =

Target 6 =

Target 7 =

Target Sub 7A =

Target Sub 7B =

Target Sub 7C =

Target Sub 7D =

Target Sub 7E =

Target Sub 7F =

Target Sub 7G =

Target Sub 7H =

Reinsurance Sub =

Newco =

State A =

State B =

State C =

State D =

State E =

State F =

State G =

State H =

Possession A =

Country A =

Country B =

Country C =

Industry A =

Industry B =

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

Approval =

m =

n =

o =

p =

Dear :

We respond to your October 13, 2009 request for rulings regarding certain federal income tax consequences of a proposed transaction. The information submitted in that request and in later correspondence is summarized below.

SUMMARY OF FACTS

Parent is a publicly-traded, domestic corporation organized in State A and is the common parent of an affiliated group of corporations that files a consolidated federal income tax return (the "Parent Consolidated Group"). Parent uses an accrual method of accounting and the twelve-month accounting period ending December 31. Parent engages in Industries A and B through its subsidiaries.

Corporation 1, a State A corporation, is a wholly-owned, direct subsidiary of Parent and is a member of the Parent Consolidated Group. Corporation 1 is a holding company and is engaged, indirectly through its subsidiaries, in Business A and certain other related businesses.

Seller, a State B corporation, is a direct subsidiary of Corporation 1 and is a member of the Parent Consolidated Group. Seller is a holding company and is engaged, indirectly through its subsidiaries, in Business A.

Target 1, a State C corporation, is a wholly-owned direct subsidiary of Seller and is a member of the Parent Consolidated Group. Target 1 is engaged, directly and indirectly through its subsidiaries, in Business A.

Target Sub 1A, a Country A company, is a wholly-owned direct subsidiary of Target 1, is a foreign corporation, and is not a member of the Parent Consolidated Group.

Target Sub 1A Sub 1, a Country A company, is a wholly-owned direct subsidiary of Target Sub 1A, is a foreign corporation, and is not a member of the Parent Consolidated Group.

Target Sub 1A Sub 1A, a Country A company, is a wholly-owned direct subsidiary of Target Sub 1A Sub1, is a foreign corporation, and is not a member of the Parent Consolidated Group.

Target Sub 1A Sub 1B, a Country A company, is a wholly-owned direct subsidiary of Target Sub 1A Sub1, is a foreign corporation, and is not a member of the Parent Consolidated Group.

Target Sub 1A Sub 2, a Country A company, is a wholly-owned direct subsidiary of Target Sub 1A, is a foreign corporation, and is not a member of the Parent Consolidated Group.

Target Sub 1B, a State D corporation, is a wholly-owned direct subsidiary of Target 1 and is a member of the Parent Consolidated Group. Target Sub 1B is directly engaged in Business A.

Target Sub 1C, a Country B company, is a wholly-owned direct subsidiary of Target 1, is a foreign corporation, and is not a member of the Parent Consolidated Group. Target Sub 1C is engaged in Business A in Countries B and C.

Target 2, a State B corporation, is a wholly-owned direct subsidiary of Corporation 1 and is a member of the Parent Consolidated Group. Target 2 engages in Business B.

Target 3, a State B corporation, is a wholly-owned direct subsidiary of Corporation 1 and is a member of the Parent Consolidated Group. Target 3 engages in Business C.

Target 4, a State A corporation, is a wholly-owned direct subsidiary of Corporation 1 and is a member of the Parent Consolidated Group. Target 4 is a holding company indirectly engaged in Industry A.

Target Sub 4A, a State A corporation, is a wholly-owned direct subsidiary of Target 4 and is a member of the Parent Consolidated Group.

Target Sub 4B, a State B corporation, is a wholly-owned direct subsidiary of Target 4 and is a member of the Parent Consolidated Group.

Target 5, a State B corporation, is a wholly-owned direct subsidiary of Corporation 1 and is a member of the Parent Consolidated Group. Target 5 engages in Business C.

Target 6, a State A corporation, is a wholly-owned direct subsidiary of Corporation 1 and is a member of the Parent Consolidated Group. Target 6 engages in Business D.

Target 7, a State E corporation, is a wholly-owned direct subsidiary of Corporation 1 and is a member of the Parent Consolidated Group. Target 7 engages in Businesses D and E.

Target Sub 7A, a State F corporation, is a wholly-owned direct subsidiary of Target 7 and is a member of the Parent Consolidated Group.

Target Sub 7B, a State A corporation, is a wholly-owned direct subsidiary of Target 7 and is a member of the Parent Consolidated Group.

Target Sub 7C, a State G corporation, is a wholly-owned direct subsidiary of Target 7 and is a member of the Parent Consolidated Group.

Target Sub 7D, a State D corporation, is a wholly-owned direct subsidiary of Target 7 and is a member of the Parent Consolidated Group.

Target Sub 7E, a State C corporation, is a wholly-owned direct subsidiary of Target 7 and is a member of the Parent Consolidated Group.

Target Sub 7F, a Possession A corporation, is a wholly-owned direct subsidiary of Target 7, is a foreign corporation, and is not a member of the Parent Consolidated Group.

Target Sub 7G, a State E corporation, is a wholly-owned direct subsidiary of Target 7 and is a member of the Parent Consolidated Group.

Target Sub 7H, a State H corporation, is a wholly-owned direct subsidiary of Target 7 and is a member of the Parent Consolidated Group.

Target 1, Target 2, Target 3, Target 4, Target 5, Target 6, Target 7, and Target Sub 1A (excluding the other Target 1 Subsidiaries) shall be referred to as the "Purchased Subsidiaries."

Target Sub 1A, Target 2, Target 3, Target 4, Target 5, Target 6, and Target 7 shall be referred to as the "non-Business A Subsidiaries."

Target Sub 1A Sub 1, Target Sub 1A Sub 1A, Target Sub 1A Sub 1B, Target Sub 1A Sub 2, Target Sub 1B, Target Sub 4A, Target Sub 4B, Target Sub 7A, Target Sub 7B, Target Sub 7C, Target Sub 7D, Target Sub 7E, Target Sub 7F, Target Sub 7G and Target Sub 7H shall be referred to as the "Indirectly Purchased Subsidiaries."

Newco is a State A corporation that has been organized by Seller to participate in the Proposed Transaction described below. Newco has been formed with a minimal amount of capital. As a result of the Proposed Transaction, Newco will own 100% of the stock of the Purchased Subsidiaries and certain other assets transferred from Seller.

The "Newco Preferred Stock," the terms of which will be negotiated at arm's length, will be nonvoting preferred stock with a liquidation preference and fair market value of \$m, which is expected to represent approximately n% of the total value of Newco's common and preferred stock. The Newco Preferred Stock will not be redeemable for o years.

PROPOSED TRANSACTION

For what are represented to be valid business reasons, Parent plans to reduce its investment in Industry B. As part of this plan, Corporation 1 will adopt a plan of divestiture of certain of the Industry B businesses conducted by some of its and Seller's subsidiaries ("Plan of Divestiture") pursuant to which Corporation 1 will cause Seller to dispose of the Purchased Subsidiaries. In accordance with the Plan of Divestiture, Parent and Corporation 1 propose the following series of steps comprising an integrated transaction (collectively, the "Proposed Transaction"):

- (1) Seller has formed Newco with a nominal amount of cash.
- (2) Seller will enter into a binding agreement with an unrelated third party ("Purchaser") to sell to Purchaser all of the Newco Preferred Stock that Seller will receive in exchange for property, as described in Step 6. Purchaser will not transfer any money or other property to Newco in connection with the Proposed Transaction. Seller will also enter into a firm commitment underwriting agreement pursuant to which Seller will be obligated to effect the sale of Newco common stock in the initial public offering ("IPO"), as described in Step 7 below.

An affiliate of Parent may act as one of several underwriters in the IPO and for any Additional Dispositions (as defined below).

- (3) Target 1 will form a wholly owned domestic insurance subsidiary ("Reinsurance Sub") to which Target 1 is expected to reinsure a portion of its Business F. Target Sub 1A Sub and Target Sub 1B will engage in similar reinsurance transactions with one or more Parent affiliates as well.
- (4) Corporation 1 will contribute to Seller all of its equity in the Non-Business A Subsidiaries and certain other property used by the Purchased Subsidiaries or their subsidiaries, which is held by Corporation 1 or other Parent affiliates.
- (5) Immediately prior to Step 6, certain of the Purchased Subsidiaries will distribute the Distributed Assets (as defined below) to Seller (the "Pre-Transfer Distributions").
- (6) Seller will transfer to Newco all of its equity in the Purchased Subsidiaries together with the Additional Transferred Assets (as defined below) in exchange for 100 percent of the common stock of Newco and the Newco Preferred Stock (the "Transfers"). Newco may also transfer a note to Seller as additional consideration in the Transfers. Seller, Newco and certain other Parent affiliates will enter into a tax sharing agreement and other transitional and service agreements as part of the Proposed Transaction.
- (7) Pursuant to the agreement with Purchaser and underwriting agreement executed in Step 2, (i) Seller will sell the Newco Preferred Stock to Purchaser and (ii) a portion (which might be less than 20 percent) of the Newco common stock to the underwriters for cash, for resale to the public (both acquired in Step 6). The IPO will be implemented within several business days of the completion of Step 6.
- (8) Not later than the 15th day of the ninth month beginning after the month in which the Transfers will occur, Newco and Parent will make elections under section 338(h)(10) in respect of Newco's acquisition of all of the domestic Purchased Subsidiaries and Newco's deemed purchase of the domestic Indirectly Purchased Subsidiaries. Elections under section 338(g) may be made in respect of Newco's acquisition of the foreign Purchased Subsidiaries and its deemed purchase of the foreign Indirectly Purchased Subsidiaries.
- (9) Within p months after Step 7, Seller will undertake one or more additional public offerings of Newco common stock or other alternative transactions (collectively, the "Additional Dispositions") that together will, taking into account the IPO and any other transactions or events taking place during the p month period, reduce Seller's direct and indirect stock ownership of Newco to less than 50 percent of the value of Newco stock (this threshold of stock ownership as it pertains to

Newco shall hereinafter be referred to as “less than 50 percent” or “below 50 percent”).

“Additional Transferred Assets” as used in Step 6 above collectively refers to the following: certain intellectual property assets used by the subsidiaries engaged in Business A through Business E that are held by Corporation 1 or other Parent affiliates; immaterial interests in subsidiaries and other fixed assets; and possibly certain inter-company receivables and obligations.

“Distributed Assets” as used in Step 5 above collectively refers to the following:

- (i) Assets distributed by Target 1: Target 1's stock interest in Reinsurance Sub, Target Sub 1A, Target Sub 1C, a limited liability company interest held by Target 1 and cash and/or certain securities; and
- (ii) Assets that may be distributed by other Purchased Subsidiaries: Certain intellectual property used by Parent or its affiliates (other than the Purchased Subsidiaries and their subsidiaries) and certain other immaterial assets which are held by the Purchased Subsidiaries or any of their subsidiaries.

The Proposed Transaction will result in Newco owning 100% of the stock of each of the Purchased Subsidiaries and Seller owning less than 50% of the stock of Newco within p months after Step 6 of the Proposed Transaction.

REPRESENTATIONS

The following representations have been made in connection with the Proposed Transaction:

- a. Parent and Seller plan to dispose of more than 50 percent of the Newco common stock in the Proposed Transaction.
- b. A sale to Purchaser and the public of less than 50 percent of Newco (after the Transfers) would not achieve the objectives of Parent and Seller in connection with the publicly announced divestiture of the businesses involved in Industry B. In addition, Parent and Seller would not effect the Transfers and the IPO without being reasonably certain, based on advice received from their financial advisors, that they will be able to effect a disposition of sufficient additional shares of Newco to reduce Seller's ownership of Newco below 50 percent through one or more public offerings.
- c. Newco has not purchased, and has no plan to purchase, any stock of Parent, Corporation 1 or Seller, other than any stock of Parent purchased for investment purposes by its Business A subsidiaries in the ordinary course of their business.

- d. All of the stock of the Purchased Subsidiaries will be acquired by Newco in a single transfer by Seller, described in Step 6 of the Proposed Transaction.
- e. Seller is a member of the selling consolidated group (as defined in section 338(h)(10)(B)), of which Parent is the common parent, and will be so for the taxable period that includes the Transfers.
- f. For the taxable period that includes the Transfers, each domestic Purchased Subsidiary will be a consolidated target within the meaning of Treas. Reg. § 1.338(h)(10)-1(b)(1).
- g. Newco has been formed in Step 1 of the Proposed Transaction with a nominal amount of cash solely to (i) permit registration of its stock with the Securities and Exchange Commission, (ii) facilitate Approval for the Proposed Transaction and (iii) enable it to acquire all of the stock of the Purchased Subsidiaries and the Additional Transferred Assets at the closing of Step 6 of the Proposed Transaction. Except for activities incident to these actions, Newco will have no activities and will carry on no business prior to Step 6 of the Proposed Transaction.
- h. The terms of the underwriting agreement pursuant to which Seller will sell the Newco common stock and the purchase agreement pursuant to which Parent will sell the Newco Preferred Stock will be determined pursuant to arm's-length negotiations with the underwriters and Purchaser, respectively.
- i. The fair market value of the assets of each Purchased Subsidiary will exceed its liabilities at the closing of Steps 6 and 7 of the Proposed Transaction.
- j. Except for any asset described in Treas. Reg. § 1.338-8(d)(2), neither Newco nor any other member of the Newco affiliated group (within the meaning of section 338(h)(5)) has any plan or intention to acquire from any target or from any direct or indirect subsidiary of any target any asset described in Treas. Reg. § 1.338-8(b)(1) (after application of Treas. Reg. § 1.338-8(b)(2)).
- k. There is no plan or intention for Seller, Newco or the Purchased Subsidiaries to cease to remain in existence as separate corporations.
- l. The Newco Preferred Stock will constitute stock in Newco (and not indebtedness) for federal income tax purposes.
- m. The sales and other transfers of Newco common stock and the Newco Preferred Stock described in Steps 7 and 9 of the Proposed Transaction will not be to parties whose ownership of Newco would be attributed to Seller pursuant to section 318. In measuring attributed ownership under section 318, there shall be taken into account all events occurring or contemplated during the period

beginning with Step 6 and ending with the completion of Step 9 of the Proposed Transaction.

RULINGS

Based solely on the information submitted and on the representations set forth above, we rule as follows:

1. Assuming completion of the Proposed Transaction, Newco's acquisition of the stock of each of the Purchased Subsidiaries from Seller will be a "qualified stock purchase" within the meaning of section 338(d)(3).
2. Assuming completion of the Proposed Transaction:
 - a. Parent on behalf of Seller and Newco will be eligible to make the election under section 338(h)(10) in respect of Newco's acquisition of the stock of each of the Purchased Subsidiaries (other than Target Sub 1A).
 - b. Newco will be eligible to make the election under section 338(g) in respect of Newco's acquisition of the stock of Target Sub 1A.
 - c. Assuming an election under section 338(h)(10) is effected with respect to Target 1, an election under section 338(h)(10) may be made in respect of Newco's deemed purchase of the stock of Target Sub 1B.
 - d. Assuming an election under section 338(g) is effected with respect to Target Sub 1A, an election under section 338(g) may be made in respect of Newco's deemed purchase of the stock of Target Sub 1A Sub 1 and Target Sub 1A Sub 2.
 - e. Assuming an election under section 338(g) is effected with respect to Target Sub 1A Sub 1, an election under section 338(g) may be made in respect of Newco's deemed purchase of the stock of Target Sub 1A Sub 1A and Target Sub 1A Sub 1B.
 - f. Assuming an election under section 338(h)(10) is effected with respect to Target 4, an election under section 338(h)(10) may be made in respect of Newco's deemed purchase of the stock of Target Sub 4A and Target Sub 4B.
 - g. Assuming an election under section 338(h)(10) is effected with respect to Target 7, an election under section 338(h)(10) may be made in respect of Newco's deemed purchase of the stock of Target Sub 7A, Target Sub 7B, Target Sub 7C, Target Sub 7D, Target Sub 7E, Target Sub 7G and Target Sub 7H.

- h. Assuming an election under section 338(h)(10) is effected with respect to Target 7, an election under section 338(g) may be made in respect of Newco's deemed purchase of the stock of Target Sub 7F.

CAVEATS

Except as expressly ruled herein, no opinion is expressed regarding the consequences resulting from the section 338(g) or section 338(h)(10) elections. Moreover, no opinion is expressed concerning the tax treatment of the Proposed Transaction or of any other matter under other provisions of the Code and regulations, or about the tax treatment of any aspect of or effect resulting from the Proposed Transaction not specifically covered by the above rulings.

Furthermore, the effectiveness of this ruling is conditioned upon Parent, Seller, Newco, the Purchased Subsidiaries, and the Indirectly Purchased Subsidiaries agreeing, if requested, to an extension of their respective statutes of limitations with respect to any issues raised by this letter ruling provided the extension is for a period acceptable to the Service.

PROCEDURAL STATEMENTS

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by the appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that this letter may not be used or cited as precedent.

A copy of this letter must be attached to the federal income tax return of each taxpayer involved in each taxable year in which the transaction is consummated. Alternatively, a taxpayer filing its return electronically may satisfy this requirement by attaching to the return a statement that provides the date and control number of this ruling letter.

Pursuant to a power of attorney on file in this office, we have sent a copy of this letter to your authorized representatives.

Sincerely,

Debra L. Carlisle

Debra L. Carlisle
Chief, Branch 5
Office of Associate Chief Counsel
(Corporate)